

Day Break

Thursday, 11 October 2018

COMPANY UPDATE

Pakistan Oilfields Limited

Oil & Gas Exploration Companies

Recommendation	NEUTRAL		
Target Price:	543.7		
Last Closing: 10-Oct-18	549.5		
Upside:	- 1.0		
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)		
Time Horizon:	Jun-19		

Market Data

Bloomberg Tkr.	POL PA		
Shares (mn)	283.9		
Free Float Shares (mn)	108.3		
Free Float Shares (%)	38.2%		
Market Cap (PKRbn USDmn)	156.0	1,214.0	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	5.1	(6.4)	20.7
Lo	514.5	514.5	433.3
Hi	558.9	586.5	589.5

Key Company Financials

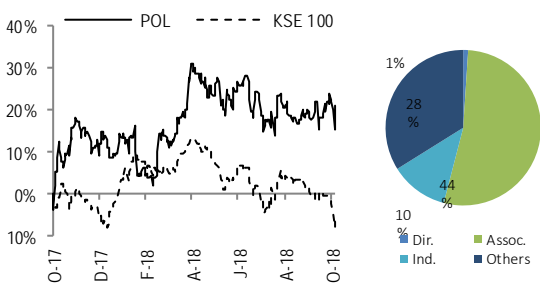
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	31.9	49.1	47.4	42.2
Net Income	11.4	17.6	17.3	14.8
EPS (PKR)	40.1	62.0	61.0	52.2
DPS (PKR)	42.5	65.0	65.0	57.5
Total Assets	57.7	70.2	74.8	77.1
Total Equity	32.8	35.0	36.9	38.1

Key Financial Ratios

ROE (%)	34.7	50.3	46.9	38.9
P/E (x)	13.7	8.9	9.0	10.5
P/B (x)	9.2	4.8	4.5	4.2
DY (%)	7.7	11.8	11.8	10.5

Relative Price Performance



About the Company

The Company is incorporated in Pakistan as a public limited company. The Company is principally engaged in exploration, drilling and production of crude oil and gas. The Company is a subsidiary of the Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group, S.A.

Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

POL: Addition of new fields, weak PKR and higher oil prices to lift earnings by 74%YoY for 1QFY19

- Pakistan Oilfields Limited's (POL) board meeting is scheduled on 12th Oct-18 to announce financial result for 1QFY19, where we expect the company to post earnings of PKR 4.42bn (EPS PKR 15.58), up by +74%YoY,
- We estimate incline in earnings on the back a) commencement of production from Jhandial, Adhi South and Khaur North, b) +51%YoY rise in oil prices and 17%YoY PKR depreciation against greenback and, c) +3%/+12%YoY rise in oil and gas production,
- However, we highlight POL may book dry well cost in respect of suspended well Mamikhel Deep (Tal block) which would increase our exploration cost PKR 1.1bn and consequently bring down our EPS estimate to PKR 14.17 for 1QFY19,
- We have rolled over our target price for POL to Jun-19 to PKR 543.7/share with a 'HOLD' call on the Company, offering 1% downside from its last close.

Earnings to clock in at PKR 15.58/share for 1QFY19, up by +74%YoY

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 12th Oct-18 to announce financial result for 1QFY19, where we expect the company to post earnings of PKR 4.42bn (EPS PKR 15.58), up by +74%YoY, compared to PKR 2.53bn (EPS PKR 8.93) in the same period last year. We estimate incline in earnings on the back a) commencement of production from Jhandial, Adhi South and Khaur North, b) +51%YoY rise in oil prices and 17%YoY PKR depreciation against greenback and, c) +3%/+12%YoY rise in oil and gas production. However, we highlight POL may book dry well cost in respect of suspended well Mamikhel Deep (Tal block) which would increase our exploration cost PKR 1.1bn and consequently bring down our EPS estimate to PKR 14.17 for 1QFY19.

On quarterly basis, earnings are expected to increase by +26%QoQ in the absence of dry well cost leading to 72%QoQ drop in exploration cost. Oil prices are up by +3%QoQ and PKR depreciation of +6%QoQ leads to further enhancement in revenues despite 3%QoQ drop in oil production due to ATA at Tal block in the beginning of Jul-18. Gas revenues are up by +1%QoQ primarily owing to higher production from Ratana field during 3rd week of Sep-18 despite lower flows from Tal block.

Exhibit:

Financial Highlights

PKRmn	1QFY19F	1QFY18	YoY	4QFY18	QoQ
Net Sales	10,405	7,241	44%	10,678	-3%
Operating Costs	2,202	1,973	12%	1,937	14%
Royalty	1,301	662	96%	1,328	-2%
Amortization of D&D Cost	1,029	512	101%	695	48%
Gross Profit	5,776	4,023	44%	6,640	-13%
Exploration Costs	561	272	106%	1,975	-72%
Finance Cost	431	188	129%	700	-38%
Other Income	1,320	249	431%	957	38%
PBT	5,669	3,528	61%	4,564	24%
PAT	4,422	2,534	74%	3,516	26%
EPS (PKR)	15.58	8.93		12.39	
DPS (PKR)	-	-		25.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Oil & gas production up by +3%YoY and +12%YoY during 1QFY19

Oil production increased by +3%YoY owing to inclusion of Jhandial, Khaur North and Adhi South. However, oil production from Tal block declined due to ATA starting from last week of Jun-18 till mid Jul-18. Gas production inclined by +12%YoY owing to substantial rise in gas flows from Ratana field during week ending 25th Sep-18 to average 3.1mmcf for Sep-18 despite lower flows from Tal block. Furthermore, Jhandial also added 5mmcf to total gas production along with +5%YoY rise in production from Tal block with inclusion of Tolanj and Tolanj West.

Exhibit:

Oil production up by +3%YoY in 1QFY19 - (bopd)

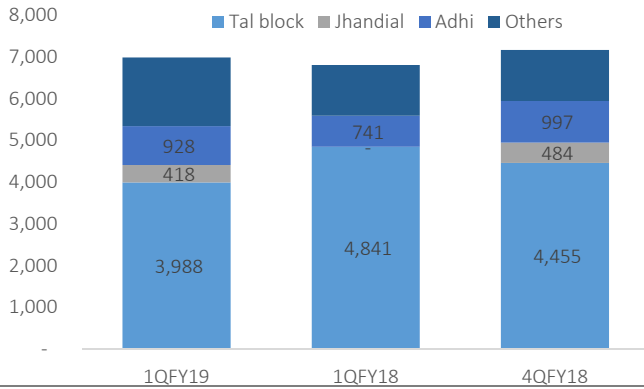
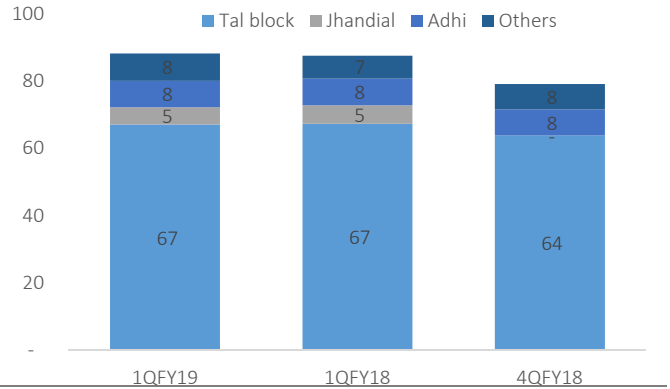


Exhibit:

Gas production up by +12%YoY in 1QFY19 - (mmcf)



Source: IGI Research, PPIS, Company Financials

Recommendation

We have rolled over our target price for POL to Jun-19 to PKR 543.7/share with a 'HOLD' call on the Company, offering 1% downside from its last close. The company is currently trading at FY19E P/E of 8.9x and offers a decent dividend yield of 11.8%.

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Reserve Based DCF Valuation)

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